(bj the software exports in the first two quarters of the current year; and

(c) what according to the assessment made by Government is the impact of the US attacks on Afghanistan on the software exports and the manner in which Government propose to meet the situation?

THE MINISTER OF INFORMATION TECHNOLOGY (SHRIPRAMOD MAHAJAN) : (a) The export of software by the country during the last two financial years:

1999-2000: Rs. 17,300 crores

2000-2001: Rs. 28,350 crores

(b) Provisional estimates of software export from the country during the first two quarters of the current financial year:

April-June Rs. 8000 crores

July-September Rs. 8500 crores

(c) Notwithstanding the general global slowdown, India's software exports will register a robust growth rate of well over 33%. Infact, during Quarters I & n of the current year (2001-2002) the software units of Software Technology Park of India (STPI) have registered an export growth rate of 62%

India's position in LT.

†2676. SHRI JANESHWAR MISHRA: Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) Whether it is a fact that the country' s position in the field of information technology is just a show-off and it is just negligible in several areas;

(b) if so, the details thereof;

(c) whether it is also a fact that India is lagging behind in the field of hardware.

(d) If so, whether any steps are proposed to be taken to make the country capable and competitive in this direction; and

(c) If so, the details thereof;

† Original notice of the questions was received in Hindi.

THE MINISTER OF INFORMATION TECHNOLOGY (SHRIPRAMOD MAHAJAN) : (a) to (c) The country's position in the field of information technology is not a show-off but a reality. The Information Technology industry has been growing at a Cummulative Annual Growth Rate (CAGR) of around 27% in the last 5 years. However, the hardware industry has grown at a CAGR of around 11% in the last 5 years whereas the software industry has grown at a significant higher CAGR of 53%. The growth rate of the hardware industry last year was higher than the growth rate of Indian industry as a whole.

(d) and (e) The steps taken by the Government to promote IT industry are given in the Statement.

Statement

Incentives for IT Industry

1. Export Promotion Capital Goods scheme (EPCG) has been rationalised and extended uniformly to all sectors without any threshold limit on payment of 5% duty.
2. Approvals for all foreign direct investment proposals relating to the Information Technology sector, with the exception of Business-to-consumer (B2C) e-commerce are under the automatic route.
3. EHTP and (STP) Schemes are implemented under the aegis of the Ministry of Information Technology through a single window mechanism of the Inter-Ministerial Standing Committee (DvlSC).
4. DTA access upto 50% of the FOB value of export is permitted for electronics hardware units under EOU/EPZ/EHTP schemes, and the software units under EOU/EPZ/STP schemes. Broadbanding is permitted in the DTA sales of Hardware units for items covered in the Letter of Permission.
5. Accelerated depreciation norms for computers and computer peripherals for units under Export Oriented schemes (EOU/EPZ/STP/EHTP) have been enhanced. These shall stand depreciated to overall limit of 90% over a period of 3 years instead of around 5 years earlier.
6. Special Economic Zones are being set up to enable hassle free manufacturing and trading for export purposes.
7. Value addition norms for Rupee exports to Russia reduced from 100% to 33% under Advance Licensing Scheme.
8. The depreciation on Computers has been allowed @ 60%.

9. In the Budget 2001-02 the peak rate of customs duty continues @35%. Customs duty surcharge @ 10% has been abolished on all imports, in general but Special Additional Duty (SAD) @ 4% continues on all imports, except specific exemptions. In the 2000-01 Budget, Customs duty on Computers and peripherals had been reduced from 20% to 15% and continues to be same. The Customs duty on all storage devices, integrated circuits, microprocessors, data display tubes and deflection components of colour monitors also continues at 0%. In the 2001-02 Budget, Customs duty on Information Technology Agreement (ITA-1) items of WTO (IT and Telecom products) has been reduced from existing 20-25% to 15%. The concessional rate of customs duty for specified raw materials for the electronics industry continues. Customs duty on parts of Telecom reduced to 5%. 32 items (additional) of Capital Goods allowed at a concessional duty of 5% for the manufacture of semiconductors.

10. In the Budget 2001-02, the Central Excise duty structure has been rationalized from multiple rates to single rate of 16% and single rate of Special Excise Duty (SED) @ 16%.

11. Information Technology Software is exempted fom Customs and Excise Duty.

12. Second hand capital goods upto 10 years old have been made freely importable.

13. EOU/EPZ/STP/EHTP units are exempted from payment of Income Tax on export profits, upto 2010. in terms of Section 10A and 10B of the Income Tax Act.

14. Exemption of withholding tax on interest on External Conmmercial Borrowings (ECBs) lias been extended to the IT sector.

15. Definition of Computer Software, as in Section 80 HHE of the Income Tax Act has been widened to include transmission of data.

16. Benefit of Section 80 HHE is available to supporting software developers.

17. IT Enabled Services have been made eligible for Income Tax benefit under Sections 10A, I0B and 80HHE of the Income Tax Act.

18. The donation of computers, imported duty free by EOU/EPZ/STP/EHTP units to recognized non-commercial education institutions, registered charitable hospitals, public libraries, public funded research and

development establishments, etc. two years after their use by the said units has been permitted.

19. The second hand computers and computer peripherals donated by an , outside donor to Government schools and recognized schools run on a non-commercial basis by any organization have been exempted from customs duties.

20. Income by way of dividends or long-term capital gains of a Venture Capital Fund or Venture Capital company from investment made by way of equity shares in a Venture Capital Undertaking, which has been expanded to incloude the Software and IT sectors, will henceforth not be included in computing the total income.

21. To give thrust to Venture Capital finance, SEBI has been made the single point nodal agency for registration and regulation of both domestic and overseas venture capital funds.

22. There will be no tax on distributed or undistributed income of Venture Capital Funds. The income distributed by the VCFs will only be taxed in the hands of the investors at the rates applicable to the nature of the income. VCFs will continue to be eligible for exemption even if the shares of the VC undertaking in which the VCFs have made the initial investment are subsequently listed in a recognised stock exchange in India.

23. Under policy on portfolio investment, Foreign Institutional Investors (FTIs) are permitted to invest in a company upto an aggregate of 24% of equity shares, extendable upto 40% subject to approve";. This limit has been raised from 40% to 49% in the Budget 2001 -02.

24. Under the Employee Stock Option Scheme, income tax payable on income from GDRs purchased in foreign currency by a re ident employee of IT software and service companies, shall be at a concessional rate of 10%.

25. Tax holiday under provisions of Section 80-1A (Infrastructure Status) has been extended to Internet Service Providers (ISPs) and Broadband Network providers.

26. Two-way fungibility has been permitted for ADRs/ GDRs. Local shares can now be reconverted into ADRs/GDRs, subject to sectoral caps.

27. To induce more investment for R&D activities, a weighted deduction of 125% on the sums paid to any university, college or an institution or a Scientific research association for the purposes of scientific, social or .statistical research has been provided.

28. A National Venture Fund for Software and IT Industry (NFSIT) has been set up with a corpus of Rs. 100 crores, out of which MIT shall contribute Rs. 30 crores.

29. For reduction of transaction time for export/import cleamances, Ministry of Civil Aviation has Finalized the scheme of Known-Shippers' for doing away with the 24 hours cooling off period. Two shifts have been introduced on week days and single shift on holidays at the Air Cargo Complexes at Mumbai, Kolkata, Chennai, Bangalore, Hyderabad, Delhi and Goa.

30. STPI has set up a business support Centre in the USA, which is operational since November, 1999, to promote business for STP units and provide marketing support to STPs.

31. Information Technology Act 2000 has been enacted. This act deals with Cyber Security, Cyber Crime and other information security related legal aspects. This will encourage expansion of e-commerce through internet.

Electronics and Computer Software Exports

2677. SHRIRAMD AS AG ARWAL : Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) What are the estimates of the electronics and Computer Software export Promotion council regarding growth of software and services exports in rupee terms during April to September, 2001 -2002, as compared to Rs. 12,450 crore in the same period during the previous year;

(b) what were the overall IT Exports from April to September this year as against $3.6 billion in the first six months of 2000-2001; and

(c) the details of expected estimates of electronics hardware exports segment fixed during September, 2001 -2002 as compared to corresponding period of 2000-2001 ?

THE MINISTER OF INFORMATION TECHNOLOGY (SHRI PRAMOD MAH AJAN): (a) Electronics and Computer Software Export Promotion Council